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No Defense Warning

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How Washington Helps Poverty

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Some of the blame for depressed areas and unemployment can be put on antiquated government policies.

The problem is exemplified by the way spending shifts have been handled in President Johnson's budget.

Despite the overall hidden increases in that budget, segments of the economy are going to be hurt by the manner in which cuts in military missile procurement, research and development are handled.

The Defense Department has \$1.4 billion in reductions, but, as always, no adequate system for warning industry and its employees where the blow will strike.

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Businessmen aren't able to do any advance planning that would enable them to cushion the blow to themselves and their employees or help them in finding the new business that would prevent the necessity for worker layoffs.

The Labor Department, meanwhile, puts pressure on businessmen to do such planning. Department specialists say that adequate preparation could take a great deal of the sting out of the shifts and cutbacks in defense buying.

Businessmen say they don't have the facts to work on. The Defense Department says it doesn't have them either.

Defense men, of course, know the missile industry will be affected by missile cuts. So does the missile industry.

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But missiles and missile bases are a combination of hundreds of items—from ceramics to electronics and from cement and steel to bulldozers and telephones. Cutbacks fan out over the economy in ways defense economists don't calculate.

Defense Department officials admit the situation can get worse. They expect greater swings in defense procurement in the years ahead and more cuts. But they have little to offer busi-

nessmen except generalized briefings.

These briefings aren't enough to enable businessmen to do much.

It's bad enough, the economists say, when one firm loses a big bid and must cut back rapidly. This often affects whole communities and local businessmen from the car dealer to the grocer, as well as the industry which has lost the bid.

But when there's a general cutback in missile research, for instance, or in development and procurement, this hits a chunk of industries directly. If none of them are able to adjust in advance, it may hit a whole region, or several regions and their businesses.

The cutbacks and layoffs bunch and you have a real problem," says one government economist.

Defense officials say they realize this. They say they're making plans. But they say the plans won't be ready for about three years.

The new early warning system for businessmen will be based on Defense Secretary Robert McNamara's five-year-ahead predictions of defense spending.

McNamara is hiring the private Institute for Defense Analysis, headed by Richard Bissell, to translate these changing defense needs into amounts of commodities and equipment required.

Analysts will then translate these commodity-equipment needs into output figures for specific industries. Then they'll try to pinpoint these industries by state and region.

When this is done, the Defense Department will work out a series of indicators to warn industries and regions on the problems they will face as a result of defense shifts or cutbacks.

The defense men hope, in time, to be able to warn industry about unexpected shifts which result from major programs being suddenly canceled because they're not developing as expected or because they have suddenly become obsolete as the result of major breakthroughs in other programs.

Then businessmen will be able to plan ahead.